

The Group has been committed to maintaining high standards of corporate governance and continued to uphold a good, solid and sensible framework of corporate governance. The Board considers such commitment is essential for the internal management, financial management, balance of business risk and protection of shareholders' interests.

It has been BCL's prime mission to carry out a sound, steady and reasonable corporate governance structure:

- Sound corporate governance bases itself upon accountability system, information disclosure and corporate transparency. BCL acknowledges the importance to provide Shareholders with an open and highly transparent management. Apart from enhancing shareholders' value and improving corporate earnings, sound corporate governance can also facilitate the steady development of the financial sector in Hong Kong.
- Besides, sound corporate governance may also promote our communication with external parties, such that investors can understand more about our development potential and future prospects, to realise our investment value.
- The procedures and systems under sound corporate governance can improve operational efficiency of the Group, such that all divisions or departments can enhance earnings of the Group through close and intimate communication.

The Group and the Board believe that sound corporate governance bases itself upon accountability system, timely information disclosure and effective mutual communication. As for internal management, systematic management and a comprehensive accountability system will enhance operational efficiency and strengthen profitability. Externally, sound corporate governance enables investors to fully capture the immense development potential and future development strategy for BCL for better understanding of the Group's investment value.

For the review year ended 31st December 2005, the Group has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Group's Corporate Governance framework is beyond the Stock Exchange's requirements. In addition to the Audit Committee, the Group also established the Nomination Committee, Remuneration Committee and Strategic Committee. The Directors of the Company believe that the internal control system is comprehensive to ensure the Company and the Directors of the Company are in compliance with the responsibilities set out in the Listing Rules and the requirement of the relevant rules and regulations in Hong Kong. In addition, the Company also set up the Internal Audit Department which is responsible for reviewing, evaluating and strengthening the internal control system. The Internal Audit Department is accountable to the Board and reports its works to the Audit Committee.

The Board

The Board is responsible for directing and supervising the overall business development of the Group in a responsible and effective manner. The Board endeavors to maintain and promote successful business development and targets to enhance long-term shareholders' value. The Board is under the leadership of the Chairman and each director should take decisions objectively in the overall interests of the Company.

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The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated. Agenda to be discussed in regular Board meetings include business operation, financial planning and future development. Each director will be informed prior to the meeting with sufficient time to prepare for the information related to the agenda. In general, the types of decisions which are to be taken by the Board include those relating to:

1. Power of managing the development strategy and plan of the Company:

(1) those requiring approval from the shareholders' general meeting:

1. formulation of the middle to long-term development objectives and strategy of the Company;
2. formulation of proposals for asset acquisition, purchase by third parties or asset disposal;
3. formulation of plans for the increase or reduction of registered capital of the Company or repurchase of shares;
4. formulation of plans for the increase of share capital and issue of additional shares;
5. formulation of proposals for the merger, separation and dismissal of the Company;
6. tendering insolvency petition of the Company;
7. formulation of amendment proposal to the Articles; and
8. formulation of proposals for the change of use of proceeds from the issue of shares.

(2) those that may be exercised by the Board at its discretion:

1. resolution on proposals to improve the operation management and operating results of the Company;
2. resolution on the operating plans, audit plans and investment plans of the Company;
3. resolution on proposals to adjust the substantial internal functions of the Company and establishment of functions under the Board;
4. resolution on the establishment of ad hoc committees and the appointment and removal of their members;
5. resolution on investment plans falling within the scope of authority of the Board; and
6. resolution on any other material operation issues not required to be resolved by shareholders' general meeting pursuant to the Articles or the rules set out herein.

2. Power of personnel management on senior officers of the Company:

- (1) those requiring approval from the shareholders' general meeting:
 1. formulation of director allowance and share option or warrant or similar schemes of the Company;
 2. assessment and consideration of the eligibility of candidates for election as directors or independent directors; and
 3. proposing for the removal of a director;
- (2) those that may be exercised by the Board at its discretion:
 1. resolution on the strategy and plan of human resources development and deployment;
 2. definition of the major duties and authorities of the general manager, responsible person for financial matters, secretary to the Board and the auditing department;
 3. appointment or dismissal of the general manager, secretary to the Board, or the appointment or dismissal of the deputy general manager or responsible person for financial matters of the Company pursuant to recommendation of the general manager;
 4. evaluation of the work performance of the general manager;
 5. approval of the appointment of representatives of the shareholders to the subsidiaries or associated companies of the Company and nomination of directors, supervisors and responsible persons for financial matters to such companies pursuant to their articles of association or the relevant agreements; and
 6. approval of the plan of staff provident fund and other staff benefit plans.

3. Power of supervision and inspection of the development and operation of the Company:

- (1) supervision of the implementation of the Company's development strategy;
- (2) supervision and inspection of the implementation of annual budgets and accounts of the Company; inspection of the progress of various plans;
- (3) assessment of the operating results of the Company to identify operating problems, propose recommendations accordingly and supervision of the implementation by the Company's senior officers;

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- (4) assessment of the operation improvement plans and implementation status of the Company and identify significant problems reflected from the operating results;
- (5) identify difficulties faced by the Company in its development and changing trends of the Company and proposing remedial recommendations thereon;
- (6) deliberation of the development opportunities and risks faced by the Company and changes of external factors that have extensive effects on the Company;
- (7) ensuring the smooth communication of information within the Company and evaluation of such information to ensure its accuracy, completeness and timeliness; and
- (8) requesting the management to provide minutes of operation meetings to the Secretary to the Board after each such meeting.

The directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31st December 2005, the Directors have selected suitable accounting policies and applied them consistently; made judgements that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The Board comprises 11 Directors, including three Executive Directors, four Non-executive Directors, of which the profile of each Director is stated on pages 38 to 41 under the section of Biographical Details of Directors, Supervisors and Senior Management. More than 50% of the Directors are non-executive and independent of management, thereby promoting critical review and control of the management process. The non-executive members of the Board also bring a wide range of business and financial experience to the Board, which contribute to the effective direction of the Group.

For the year ended 31st December 2005, the Board at all times exceeded the minimum requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors, and complied with the requirement that these should include one such director with appropriate professional qualifications of accounting or related financial management expertise.

Board meetings are held at least 4 times a year and meeting notices should be issued at least 14 days before the convening of meeting. If special Board meetings had to be convened, the Board can select the notice method and time. During the year under review, the Board held a total of 4 meetings and the majority of directors participated in person with satisfactory attendance.

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The Board has established the Policy on Obtaining Independent Professional Advice by Directors to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense. The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/ their duties to the Group.

The appointment of new Directors will be considered by the Nomination Committee (Duties of the Nomination Committee is stated thereafter) and decided by all member of the Board. Candidates to be selected and recommended are those experienced, high caliber individuals. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. The term of office for the Directors is three years. The first term of the Board of Directors expired on 4th December 2005, while the second Board of Directors (including non-executive directors) was formed on 5th December 2005 with 3 years term of office.

Mr. Pan Pei and Mr. Peter Yuk Lun Eng did not re-elect as members of the Board when the term of office of all directors of the Company were expired on 4th December 2005. Mr. Feng Chun Qin and Mr. Li Zhaojie were appointed as directors of the Company on 5th December 2005.

Attendance of individual Directors at Board meetings in 2005:

	Number of attendance/ Number of meeting	
	1st session	2nd session
<i>Executive Directors</i>		
— Mr. Liu Xiaoguang (<i>Chairman</i>)	2/3	1/1
— Mr. Tang Jun	3/3	1/1
— Mr. He Guang	3/3	1/1
— Mr. Pan Pei	3/3	N/A
<i>Non-executive Directors</i>		
— Mr. Feng Chunqin	N/A	0/1
— Mr. Wang Zhengbin	2/3	0/1
— Ms. Zhu Min	2/3	1/1
— Mr. Muk Kin Yau	2/3	1/1
<i>Independent Non-executive Directors</i>		
— Mr. Kwong Kai Sing, Benny	3/3	1/1
— Mr. Ke Jianmin	2/3	1/1
— Mr. Yu Xing Bao	2/3	1/1
— Mr. Peter Yuk Lun Eng	3/3	N/A
— Mr. Li Zhaojie	N/A	1/1

The interests in the Company's securities held by Directors as at 31st December 2005 are disclosed in the Directors' Report on pages 44 to 45 of this annual report.

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Chairman and President

The posts of Chairman and President are held separately by Mr. Liu Xiaoguang and Mr. Tang Jun respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the President's responsibility to manage the Company's business.

The Code for Securities Transactions by Directors

The Group has adopted a code (please refer to the Code on Corporate Governance for definition) which is on terms no less exacting than the required standard set out in the Code for Securities Transactions by Directors in Appendix 10 for the Listing Rules (the "Model Code").

All Directors have confirmed, following specific enquiry by the Group that they have complied with the required standard set out in the Model Code throughout the period.

Audit Committee

The Group has established an Audit Committee with the Terms of Reference included the duties set out in Code Provision C.3.3 (a) to (n) of the Code. The major duties include:

- reviewing the financial controls, internal control and risk management systems
- supervising the comprehensiveness of the Company's annual report and accounts, and interim report. The Committee will approval those important decisions related to financial disclosure set out therein prior to submitting to the Board, in which emphasis will be given to the following:
 - provide suggestion to the Board regarding the appointment, re-appointment and removal of external auditors, and approve the remuneration and terms of appointment of external auditors as well as handle any problems relating to the resignation or dismissal of that auditor;
 - review and supervise the independency and objectiveness of the external auditors and the effectiveness of the auditing procedures with appropriate standards;
 - formulate and execute policy for the provision of non-audit services by external auditors, report to the Board those actions and improvement measures considered necessary by the Audit Committee and suggest practical measures.

The Group's Audit Committee comprises three Independent Non-executive Directors including Mr. Kwong Kai Sing, Benny (chairman of audit committee), Mr. Yu Xing Bao and Mr. Peter Yuk Lun Eng. Since Mr. Peter Yuk Lun Eng contract expired as the Independent Non-executive Director of the Company on 4th December 2005, Mr. Li Zhaojie was appointed as the Independent Non-executive Director of the Company and member of the Audit Committee on 5th December 2005. During the year under review, the Audit Committee held a total of three meetings, with information of members attendance listed below:

Attendance of individual members at Audit Committee meetings in 2005:

	Number of Attendance/Number of Meeting
Mr. Kwong Kai Sing, Benny	3/3
Mr. Yu Xing Bao	3/3
Mr. Peter Yuk Lun Eng	2/2
Mr. Li Zhaojie	1/1

At its meeting on 22nd March 2006, the Audit Committee reviewed the Directors' Report and financial statements for the year ended 31st December 2005 and the annual results announcement, with a recommendation to the Board for approval.

Nomination Committee

The Group has established a nomination committee, which will be responsible for recommending the appointment of Directors, Supervisors and senior executives and reviewing the succeeding arrangement of Executive Directors and senior executives. The majority of members of the Nomination Committee are Non-executive Directors, which is chaired by Mr. Liu Xiaoguang. Other members include Mr. Kwong Kai Sing, Benny and Mr. Ke Jianmin.

During the year under review, the Nomination Committee held a total of 1 meeting, with full attendance by all members.

When the first session of the Board expired on 4th December 2005, after prudent consideration and discussion, and based on personal will, the Nomination Committee agreed to accept the request from Mr. Pan Pei and Mr. Peter Yuk Lun Eng that they were not re-elected to be directors of the second session. Accordingly the Nomination Committee nominated Mr. Feng Chun Qin and Mr. Li Zhaojie to fill their vacancies and become the non-executive director and independent non-executive director of the second session of the Board respectively. In addition, the Nomination Committee proposes a re-election of the other directors continue to be the directors of the second session of the Board.

The Nomination Committee proposes a re-election of all Supervisors of the first session of the Supervisory Committee continue to be the supervisors of the second session of the Supervisory Committee.

All nominations were passed by the Board of Directors and approved in the extraordinary general meeting held on 2nd December 2005.

Remuneration Committee

The Group established a Remuneration Committee with written terms of responsibilities. The Remuneration Committee is responsible for providing recommendation to the Board regarding the Group's remuneration policy, the formulation and reviewing of the specific remuneration for the Group's Executive Directors and senior executives. The majority of members of the Remuneration Committee are Independent Non-executive Directors. The committee is chaired by Mr. Liu Xiaoguang and other members include Mr. Kwong Kai Sing, Benny and Mr. Ke Jianmin. During the year under review, the Remuneration Committee held one meeting to review the annual remuneration for the Directors and Supervisors, with full attendance by all members.

Current Remuneration System of Board of Directors and Supervisory Committee

1. Policy

The Remuneration Policy for the Directors and Supervisors of the Company is based on the following principles:

- Nobody is allowed to determine his or her own remunerations.
- The remuneration levels should tally with the Company's competitors in the human resources market.
- The remuneration levels should be able to reflect the performances, complexity of work, and responsibilities of related staff; and to attract, motivate and retain outstanding staff, encouraging them to proactively excel and add values for the shareholders of the Company.

2. Non-executive Director and Supervisors — Principle for Determining Remuneration

The fees of the Non-Executive Directors of the Company should tally with market level, and be subject to formal independent review at least once every 3 years.

3. Executive Director — Components of Remuneration

The Company determines the remunerations of the executive directors by referring to the statistics of similar positions in the market (including local and regional companies with similar scope, business complexity and scale to the Company). Such policy conforms to the remuneration policy of the Company which tallies with our competitors in the human resources market. In addition, in order to attract, motivate and retain outstanding staff, the Company takes performance as the primary consideration for grant of individual rewards. The remuneration of executive directors comprises of two parts:

(a) *Basic Remuneration*

The basic remuneration of executive directors accounts for about 70% of their total remuneration. Yearly reviews will be conducted, taking into account the competitive situations in the market, customary practice and personal performance.

(a) *Yearly Gratuitous Payment*

The amount of yearly gratuitous payment is determined based on the performances of the Company, functional departments and individual performance. The main performance-assessing standards include whether financial and operational targets can be achieved, and whether the individual has demonstrated key leadership skills like creating mutual objectives and nurturing talents.

The Company set a target yearly gratuitous payment for each executive director, which account for 30% of his total remuneration. Yearly gratuitous payment will only be granted when their performance reach satisfactory levels. The actual amount to be granted depends on individual performance.

The Company does not adopt any share option scheme.

No executive director has entered into any service contract with the Company or its subsidiaries, which terms provide for a notice period of over one year, or which provide for compensation in the form of more than one-year's salary plus benefits-in-kind upon termination of employment.

Internal Controls

One of the duties of the Board is to ensure the Group's sound and effective internal control system to safeguard the shareholders' investment and the Group's assets. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the Internal Audit Department on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department will report to the Audit Committee twice each year on significant findings on internal controls. Copy of the minutes of the Audit Committee meeting will also be sent to the Board for information.

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External Auditors

The Board agrees with the Audit Committee's proposal for the re-appointment of PricewaterhouseCoopers as the Group's external auditors for the audit of the financial statements prepared in accordance with Hong Kong Financial Reporting Standards for 2006. The recommendation will be put forward for the approval of shareholders at the Annual General Meeting to be held on 13th June 2006.

The Group has established the Policy on Appointment of External Auditor in Providing Non-Audit Services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor. During 2005, the fees paid to external auditor for providing audit services amounted to HK\$3,660,000.

Shareholders' Right

According to the Articles of Association of the Company when shareholders individually or together holding 10 per cent. or more of the total number of shares of the Company carrying voting rights (hereinafter refer to as the "Proposing Shareholders") or the Supervisory Committee propose the Board to convene an extraordinary general meeting, an agenda and the complete details of the resolutions shall be submitted in writing to the Board. The Proposing Shareholders or the Supervisory Committee shall ensure that the proposed resolutions conform to the laws and regulations and the Articles of the Association.

The Group uses a number of formal channels to inform our shareholders the performance and operations of the Company, particularly our annual and interim reports. In addition, the AGM provides an opportunity for communication between the Board and the Company's shareholders. The Company regards the AGM as an important event in the corporate year and all Directors and senior management should make an effort to attend.

Investor Relations

The Group has always upheld its policy of open communication and fair disclosure. We believe that the completeness of timely information disclosure is essential for building market confidence. As such, the Group has established an Investor Relations Department, which will be responsible for maintaining close communications with investors and shareholders. By timely information disclosure and organizing regular meeting for the management to communicate with media, it further strengthens investors' understanding of the Group's business development while enables the management to fully realise the opinion and expectation of the investment community to the Group's future development.

In order to maintain good relationship with the investment community, the Group has placed much efforts in maintaining interactive communications with the investors. The Group also strives to maintain high transparency and open-minded attitude to the investment community. The Group disseminates relevant corporate information on a timely basis through various channels. The Group outlined its business activities in its annual and interim reports and through regular distribution of press releases. These information are also available for download from the Group's website at www.bjcapitalland.com.

Besides the press conferences and analysts' meetings held after results announcement, the Group's management has also held regular meetings with securities analysts and investors, and participated in a number of large-scale conferences, presentations and overseas roadshows. These allow the investors to gain better understanding of the Group's development potential and prospects, facilitating their understanding of the Group's investment value.

For the year ended 31st December 2005, the Group participated in the following activities:

- 315 one-on-one investor meetings
- 3 international roadshow, which were held in Singapore, the U.S. and Europe
- 7 corporate conferences
- 5 media conferences

Besides, the Group will upload the latest information of corporate development, corporate announcement, financial reports and press releases on its corporate website (www.bjcapitalland.com), so as to enable shareholders and the public to stay abreast with the Group's latest development progress.

Looking ahead, the Group will continue to enhance its corporate governance practice based on international trends and development and the views of our shareholders.

On Behalf of the Board

Liu Xiaoguang

Chairman

Beijing, the PRC, 31st March 2006